

Public
RENTAL **L**
Board



2019
**ANNUAL
REPORT**



Public
RENTAL 

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VISION

To be the leading provider of affordable, quality and appropriate rental housing for our tenants.

MISSION

The Public Rental Board will achieve its Vision Through:

- Facilitating the development of affordable and quality rental housing to meet the socio economic needs of tenants.
- Maintaining and enhancing flats to Public Rental Board Standards.
- Empowering tenants through innovative public relations and community building.
- Providing cohesive communtie while enhancing openings that can be used to facilitate win - win opportunity for existing
- Undertaking profiling and analysis of existing and potential tenants.
- Promoting innovative development and funding.
- Promoting migration to home ownership.

CORPORATE OBJECTIVE

1. Re- profiling

- Re- Profiling of tenants in order to obtain a better understanding of PRB tenants.
- Provide Government with a more precise determination of rental subsidy and Non Commercial obligation (NCO).
- Definition and assertion of the socio-economic standing of income range of PRB tenants.
- Encourage homeownership for tenants above \$317 weekly household combined income.

2. Rent Review

- Equitable distribution of subsidy and social cost (non-commercial obligation) compensated by Government.
- Maintain rentals at viable level.
- Increase income.

3. Government Grant

- Continue assisting financially disadvantaged tenants.
- Building more flats that are affordable to tenants.
- Subsidy on construction costs.
- rental subsidy requested to Government to make rental affordable to tenants.

4. Rental Property Stock Versus Demand

- Better information and viable partnerships with other developers of low cost rental accommodation to meet demand.
- Plan and construct at least 100 flats per annum.
- Determine economic rental at different income levels and establish demand.

5. PRB's Revenue and Cost Structure

- PRB recognises that its current cost structure needs to be reduced.

6. Social Economic Obligation

- Reduce squatter settlements.
- Promote healthy living.
- House Urban workforce.
- Household tenants in export finance and import

**HEAD OFFICE**

Housing Authority Building
Saqa Street, Valelevu
P.O. Box 5275, Raiwaqa
Tel: (679) 338 7787

LAUTOKA

Housing Authority Building
14 Tavewa Avenue
P.O. Box 5640, Lautoka
Tel: (679) 666 8717

LABASA

Housing Authority Building
FNPF Building
P.O. Box 15070, Labasa
Tel: (679) 881 4233

12th April 2022

The Honorable Aiyaz Sayed- Khaiyum
Attorney-General and Minister for Economy, Civil Service,
Communications, Housing and Community Development
Level 7, Suvavou House
SUVA

Dear Honorable Minister

Re: 2019 ANNUAL REPORT

Please find attached the Public Rental Board (PRB) 2019 Annual Report. This report incorporates details of the operations and activities of PRB for the seven months ending 31st July 2019.

The annual report is in compliance with Section 21 of the Housing Act 1955, Cap 267 and should also satisfy one of the Board's KPI's.

We acknowledge Government's commitment in the support to the financially disadvantaged tenants of PRB and we look forward for a continued partnership with Government in serving the low income earners in the coming years.

Yours Sincerely,

A handwritten signature in black ink, appearing to read "Viliame Vodonaivalu", written over a dotted line.

Mr. Viliame Vodonaivalu
Board Chairperson

CURRENT BOARD MEMBERS



BOARD CHAIR

VILIAME BALEITAVUA VODONAIVALU

Mr Vodonaivalu, has over 30 years of experience in Financial Services. Strengths in areas such as financial auditing, change management and restructuring, economic efficiency and effective auditing, financial accounts preparation and consolidation, coaching and training, crisis management and both financial strategy and budgetary oversight.

Prior to joining the Fiji National Provident Fund, he worked as an Acting Executive officer in the National Provident Fund in Vanuatu, Senior Executive in the Banking Services (Westpac & ANZ) in Fiji, and the Pacific namely, Vanuatu, Tonga, Samoa, Cook Islands. Also, a Lead Consultant in one of the Pacific's Intergovernmental organizations known as the Melanesian Spearhead Group (MSG), composed of the four Melanesian states of Fiji, Papua New Guinea, Solomon Islands and Vanuatu, and Kanak and Socialist National Liberation Front of New Caledonia & Indonesia. Worked also with our very own carrier, the Air Pacific Limited now known as the Fiji Airways Ltd and spent 8 years in the Fiji Government Auditor General's office.

Professionally he is the Chief Executive Officer and overseeing the Investments of the Fund, settling major deals within 7 months of incumbent as the Chief Investment Officer. Handling all areas of the Fund's Operations and Investments from Hotels development managed by brand names such as; Marriott, Sheraton, Westin, Intercontinental Hotels & Resorts & Holiday Inn. Overseeing all Projects, Properties Investments, new acquisitions, treasury, sales & marketing, equities, commercial loans and other fixed income. Mr Vodonaivalu is an Australian Finance & Certified & Treasury Professional (CFTP), Australian Financial Accreditation and holds a Masters in Applied Finance from University of Melbourne, Australia



DEPUTY BOARD CHAIR

SAUD MINAM

A highly accomplished professional with 30 years' experience within the financial sector, Mr Minam is a thoughtful leader and passionate knowledge sharer within the banking sector. He has grown with changes and technical advancements and has recognised the ability to negotiate contracts and manage banking agreements with integrity and discretion.

He also has extensive experience working with stakeholders to exceed client needs, assessing commercial needs and acting as the conduit between operational practicalities and technical abilities. He enjoys working collaboratively, leading and mentoring staff to ensure team effectiveness.

Mr Minam current affiliations and memberships include Chairman YES (Young Entrepreneur Scheme) Govt of Fiji, Vice Chairman ADFIAP (Association of Development Financing Institution Asia Pacific, Vice President Fiji Australia Business Council Executive member, Ethics Committee Fiji Muslim League, Executive Member International Human Resource Development Program Govt of Fiji and Member MSME Fiji National Export strategy and Member of Employment Relations Advisory Board.



BOARD MEMBER

SUSAN NAIDU

Susan Naidu brings over 15 years of experience working in the social development sector. After completing her Bachelor of Arts degree in Industrial Relations and Sociology at the University of the South Pacific, Ms. Naidu worked for various non-governmental organisations such as the Ecumenical Centre for Research Education Advocacy (ECEA), femLINK Pacific, Fiji Women's Rights Movement and for the past 11 years specialising in the area of social housing with the Model Towns Charitable Trust based in Lautoka.

Ms. Naidu brings a wealth of knowledge and experience in the social housing and community development sector with special focus on climate adaptation and mitigation, crisis management, children's education and development, gender equality, access to health and mental health services, social enterprises and food security.

In addition, Ms. Naidu also serves as the Grants Committee member for the Women's Fund Fiji and she is also an Executive Board member at the Lautoka School for Special Education.



BOARD MEMBER

FLORENCE MERLE TAKINANA

Ms. Takinana was born in Korovou, Tailevu and was raised in Nausori. Ms. Takinana was educated at Saint Joseph the Worker Primary School, Saint Joseph's Secondary School and the University of the South Pacific. Ms. Takinana holds a Professional Diploma in Legislative Drafting (PDL), a Professional Diploma in Legal Practice (PDL) and a Bachelor of Laws and Commerce (LLB/BCom) from the University of the South Pacific.

Ms Takinana has over 6 years of extensive legal experience in trade, commerce, investment and housing which she obtained while serving as a lawyer at the Office of the Attorney-General. She was part of the Private Public Partnership (PPP) for Affordable Housing Project spearheaded by the Ministry of Housing and Community Development and the Ministry of Economy and she is a member of the Fiji National Building Code Joint Task Force spearheaded by the Ministry of Infrastructure and Meteorological Services which was tasked with reviewing the Fiji National Building Code (FNBC) and the Fiji Home Builders Manual (FHBM). She also worked closely with the Ministry of Housing and Community Development on the Lagilagi Housing Development Act 2022 and the Development of Informal Settlements Act 2022. She is appointed from 26th October 2021 till 25th October 2024.



BOARD MEMBER

RENEE DUGUIVALU

Ms. Renee Duguivalu was born and raised in Lautoka, educated at Natabua High School and Fiji Institute of Technology prior to attending Queensland University of Technology in Queensland, Australia under the Australian Awards program.

With a background in both private Engineering consultancy and public service as Engineer for the Department of Housing under the Ministry of Local Government, Urban Development, Housing & Environment, Mrs. Browne comes with a broad range of understanding of both the public and private sector constraints towards Housing.

Ms. Duguivalu has also formerly served on the Board of Special Administrators for Lautoka and Ba Town Councils as well as a current Appointed Ordinary member of the Fiji Institute of Engineers.



BOARD MEMBER

ANIL PRASAD

Mr. Anil Prasad was born and raised in Labasa. After finishing his secondary education in Labasa College, he joined the now Fiji National University to graduate with a Diploma in Industrial Laboratory Technology, he is currently pursuing his Executive Masters in Business Administration at the Fiji National University. Mr. Prasad joined Carlton Brewery Fiji Ltd, the now Paradise Beverages Fiji Ltd as Quality Assurance Technician in June 2003 where he is still currently employed as a full-time employee.

Mr. Prasad joined the real estate sector in 2014 as a sales consultant and later opened his own real estate business in 2017 and is the current principal Agent and director of the business. Mr. Prasad has served as a national Secretary for Real Estate Association of Fiji and is the current General Secretary of Paradise Beverages Fiji Ltd union.

Mr. Prasad is also involved with various charity organizations and is the current marketing manager of WE-Fiji a local NGO. Mr. Prasad brings with him an extensive knowledge of the real estate industry and property market knowledge and through his real estate experience is well versed with market trends and demands of the housing market.

PREVIOUS BOARD MEMBERS

Members	Appointments		Served Until
Mr. Umarji Musa	May 2016	Board Member /Acting Chairperson	May 2019
Mr. Nesbitt Hazelman	May 2016	Board Member	3rd May 2020
Mr. Craig Strong	May 2019	Board Member	3rd May 2020
Mr. Roveen Permal	May 2016	Board Member	6th September 2020
Ms. Lorraine Seeto	June 2020	Chairperson	25th October 2021
Ms. Anabel Ali	May 2019	Board Member	25th October 2021
Mr. Mohit Raj	May 2019	Board Member	25th October 2021
Ms. Senikavika Jiuta	June 2020	Board Member	25th October 2021

CHAIRMAN'S REPORT



The Public Rental Board (PRB) continues to strive to meet its obligations of providing transitional housing to low income earners. While the year 2019 has had its challenges, the Board was able to achieve its goals and social obligations with the committed efforts of all key stakeholders, in collaboration with Government and valued customers.

The Board currently owns 1,636 rental units in Suva, Levuka, Sigatoka, Nadi, Lautoka, Labasa and Savusavu. Another 36 one-bedroom rental flats are being developed in Simla Lautoka. The high demand for rental flats confirms that there is a strong need to expand the rental flat services.

Expansion requires funding and the Board is exploring alternative sources of funding with public-private partnership (PPP) or strata models. The following proposed projects are in feasibility stages - Raiwaqa (152 flats), Narere Barracks (50 flats) and Newtown (120 flats).


PRB is developing rent to own options for tenants which will allow them opportunities to take loans and enjoy the benefits of property ownership. Another option which is now in progress is the collaboration with Housing Authority to provide land or flats to PRB tenants having income threshold of more than \$317 per week or \$16,500 per annum as per our allocation criteria.

In January to July 2019, PRB achieved a profit of \$441,184 compared to \$752,932 in the 2018 calendar year. The financial year was changed from calendar year to align to Government's fiscal year which is August to July. PRB has recorded profits for the last six years. The Board is still servicing a loan balance of \$7.73 million to Exim Bank of China for the construction of 210 flats at Raiwai in 2014.

We recognise that enhancements are needed in areas of rental review processes, subsidy criteria and efficient customer services. PRB will continuously upgrade to better serve our customers. We are carrying out general maintenance services to our flats on a five-year maintenance cycle programme. In 2019 the Tuatua, Kia and Levuka estate general maintenance works were undertaken. Other upgrade works undertaken included Kalabu drainage and fencing works.

I would like to thank the Fijian Government for providing subsidy grant on an annual basis to assist financially disadvantaged tenants. I must also acknowledge with gratitude the support and assistance from the Hon Minister for Housing, Ministry of Economy, Housing Authority, other agencies of Government, private sector and our valued tenants who have contributed to the success of PRB. I would like to also commend the commitment and dedication from the Board of directors, management and staff in delivering their outcomes and upholding the vision and mission of PRB.

The year ahead will be marked with challenges and hardwork, and the Board commits to doing its best to achieve our goals and commitment to those that we serve.



Mr. Viliame Vodonaivalu

GENERAL MANAGER'S REPORT



The year ending July 2019 was inspiring for Public Rental Board as it continued to serve its customers in delivering on Governments vision of providing affordable, quality and appropriate rental housing for all Fijians. Public Rental Board aims to contribute in fulfilling this vision by providing more affordable opportunities for rental housing with a special focus on the low to middle income earners, together with other social housing agencies providing rental and homeownership for the people of Fiji.

Therefore, Public Rental Board is focusing its efforts in new developments to deliver one of the most basic needs to low- and middle-income families. In 2019, Public Rental Board, started construction on its Low-Cost Housing Project at Simla, Lautoka, consisting of 36 rental units of one bed room.

Moreover, Public Rental Board successfully completed construction to its Low-Cost Housing Project at Kalabu of 36 rental units and 48 rental units at the Savusavu Low-cost Housing Project. The allocation of the rental flats at Kalabu was fully completed by mid-2019.

Despite the challenges faced, I am happy to report that Public Rental Board recorded an operating profit of \$441,184 for seven months year ending July 2019 as compared to \$752,932 for twelve months year ending December 2018.

Apart from new developments, Public Rental Board, carried out a number of improvements to its estates as part of estate maintenance and enhancement. The Board successfully completed general maintenance to its Tuatua Estate (24 rental units) and Levuka Estate (24 rental Units) and Kia Street Project (27 Rental Units). The Board also carried out upgrades to the drainage system at its Kalabu Rental Estate.

The Board continues to promote and sustain Community Developments through estate meetings, community awareness and estate beautifications. These enables the estate communities to form youth groups, women groups and estate committees.

Incorporated in the Report is a brief highlight of the activities undertaken by the Board at the end of July 2019;

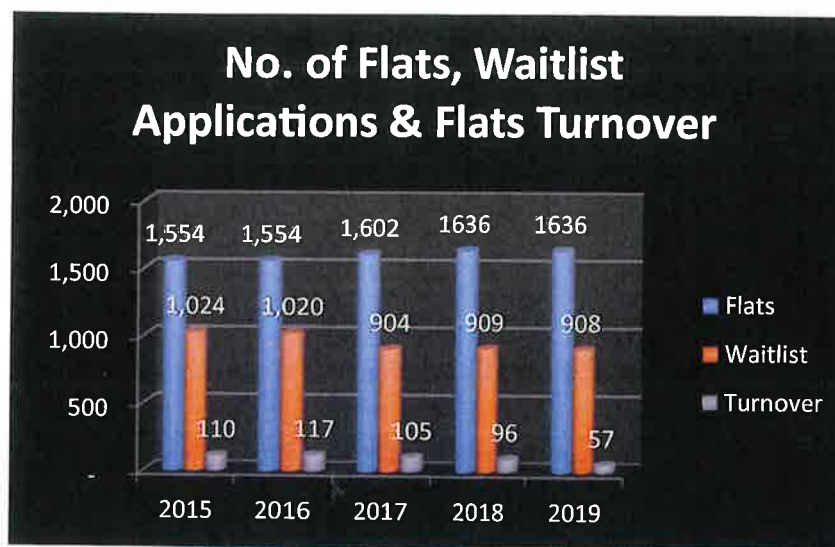
- ☒ Waitlisted applications
- ☒ Corporate Governance
- ☒ Rent Revenue/Rent Subsidy and Rental Flats
- ☒ General Maintenance & New Development
- ☒ Financial Highlights
- ☒ Financial Ratios and Analysis
- ☒ Human Resource and Administration Report

1. Waitlist applications

PRB has had its own challenges in meeting the demand for rental flats. We were not able to assist all the waitlist applications registered with the Board. Exorbitant construction cost has not assisted PRB in fulfilling the ever-increasing demand. PRB currently has 1636 flats rented out against a waitlist demand of 908 applications which will be reviewed. PRB's rental flats are located in 21 estates around the country. There are 266 building together in the estates.

Given the current trend of flat turnover, the Board is continuously networking with housing stakeholders in an effort to increase the flat turnover and reduce the waitlist at the same time increase the number of flats. Simla housing project comprising of 36 units under construction and is expected to be completed by 2021.

A five - year comparison on the number of flats available for renting against the waitlist and the turnover of flats is presented in the graph below.



2. Corporate Governance

The Board of Directors and Management are responsible for corporate governance and remain committed to upholding high standards of integrity and transparency. The Board continues to further strengthen its Corporate Governance.

Role of the Board

The role of the Board is to assume accountability for the success of Public Rental Board by taking responsibility for the organization's directions in order to meet the objective of increasing stakeholder value.

PRB in collaboration with Housing Authority is moving towards innovative solutions in meeting the demand for low-cost rental housing, facilitate and promote transitional housing to its tenants.

Meetings of the Board

The regular business of the Board during its meetings cover business and strategic matters, governance and compliance, organization risks, management reports, financial reports and the overall performance of PRB. The current Board members were appointed in May 2016 and May 2019 and their attendance at Board meetings during the financial year under review is tabled below:

Director	Number of Meetings Conducted	Number of meetings attended	Apologies Received
Mr. Umarji Musa	3	3	0
Mr. Roveen Permal	3	3	0
Mr. Nesbitt Hazelman	3	3	0

The Board met on 3 occasions during the period under review. Other Board members appointed in May 2019 attended the meetings held after July 2019.

3. Rental Revenue on Rental Flats

PRB charged rent of **\$2,595,737.98** in the reporting year. The total actual collection against rent charged as of July 2019 was **\$1,787,020.33 (without subsidy)** or approximately 69%. The total rent collected including subsidy is **\$2,460,371.53**. The total rent collected include rent for the period, arrears payments, and advance rental payments by tenants.

Table 1 shows the actual collection amount for five years.

Rental Collections Comparison: 2015 to July 2019

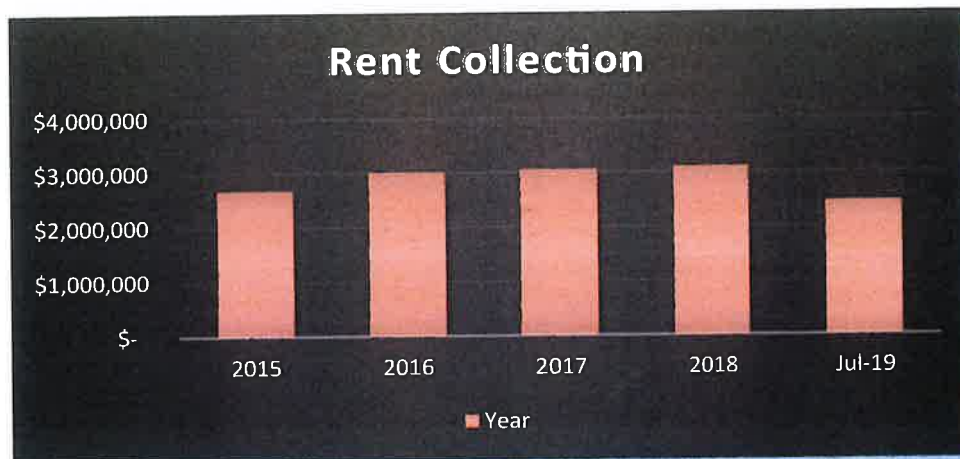


Table 1

RENTAL COLLECTION (without Subsidy)	
2014	\$ 1,998,859
2015	\$ 2,683,635
2016	\$ 3,018,657
2017	\$ 3,056,665
2018	\$ 3,103,518
Jan-July 2019	\$ 2,460,372

4. General Maintenance

PRB continued the third round of general maintenance program in the year 2019. The third cycle of general maintenance program commenced in year 2016. PRB undertakes general improvements and upgrading of its facilities such as tiling to wet and living areas, grills, placement of ceiling, overall painting, changing of waste lines from galvanized to PVC, improvements on the external repair works and estate enhancement.

Financially disadvantaged tenants are assisted with subsidy according to the 2016 allocation criteria. General maintenance is essentially important for PRB because revenue from rental is the major contributing source of income for the Board apart from rental subsidy from government. General maintenance undertaken in 2019 were in the following estates as presented in Table 2.

Table 2- Major General Maintenance

Estates	Contractor	No of Units	Budget (\$)	Expenditure (\$)
Major Maintenance Tuatua General Maintenance	In-house Maintenance Team	24	\$70,850.00	\$75,429.86

Levuka General Maintenance	In-house Maintenance Team	24	\$60,000.00	\$46,106.34
Special Projects				
Kalabu Drainage Works	In-house Maintenance Team		\$117,014.00	\$50,879.72

**Note: For Tuatua General Maintenance, there was a over expenditure due to electrical upgrading required by Energy Fiji Ltd during the general maintenance*

Total Repair & Maintenance for major project cost for the period 2019 is \$121,536 which is, approximately 4.79% of Rental Income and the special projects cost for the period 2019 is \$50,879.72.

5. Distribution of Rental Subsidy

Subsidy is allocated to tenants based on their household Weekly Gross Income (WGI) in accordance with the 2016 subsidy allocation criteria. Some 881 financially disadvantaged tenants received a total of \$673,351 subsidy assistance in 2019. Rental subsidy assistance is calculated taking the difference between the actual rent charge and the tenant contribution.

Subsidy is allocated according to the subsidy agreement between the Ministry of Housing and the Board. The 2016 subsidy criteria is as follows:

2016 Subsidy Criteria

	Income Range	Criteria	Comments
1	HH Weekly Gross Income \$0 – \$100 less 8% FNPF	5% of Income	Tenant Contribution = 5% of WGI or \$5 as minimum
2	HH Weekly Gross Income \$101 – \$125 less 8% FNPF	8% of Income	Tenant Contribution = 8% of WGI
3	HH Weekly Gross Income \$126 – \$150 less 8% FNPF	11% of Income	Tenant Contribution = 11% of WGI
4	HH Weekly Gross Income \$151 – \$175 less 8% FNPF	14% of Income	Tenant Contribution = 14% of WGI
5	HH Weekly Gross Income \$176 – \$200 less 8% FNPF	17% of Income	Tenant Contribution = 17% of WGI
6	HH Weekly Gross Income \$201 – \$250 less 8% FNPF	20 % of Income	Tenant Contribution = 20% of WGI

Social Cost

The 2019 social cost (difference between market rent and actual rent) was directly funded by Government through the government grant. Government's contribution towards payment of social cost was approximately \$83,812.00 for the reporting year. A total of 261 flats were allocated social cost in 2019 as weekly rent charged were above the Board's ceiling of \$50.

6. New Developments and Construction

6.1. Simla Housing Project

Government provided a partial grant of \$ 1,299,109 in the 2016/2017 National Budget for Simla project. The project comprises of 36 one-bedroom flats. The project commenced in October 2018. A further grant of \$2,225,533 was provided in 2017/2018 budget. Work is currently in progress and is expected to be completed in December 2021.

6.2. Raiwaqa Ex-Sewer, Ex-4 storey and Newtown Project.

The Board held talks with International Finance Corporation (IFC) regarding the above project. Preliminary consultation was conducted with IFC representatives.

7. Tenancy Management

The Board has a three-year tenancy agreement with the tenants. PRB undertakes Household Income survey (HHI) after which tenancy agreements are renewed.

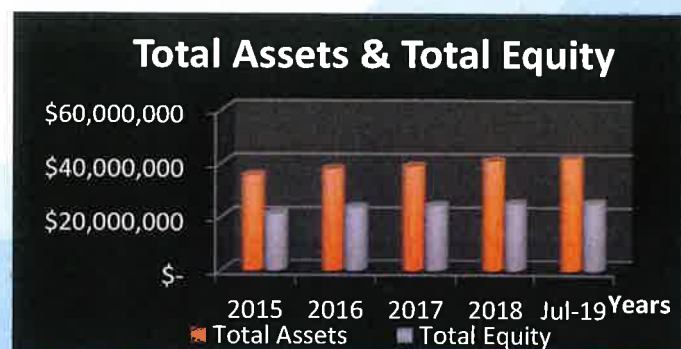
Table 3

	No. of flats	Valid Tenancy Agreements (TA)	TA yet to be renewed	No. of TA issued in 2019(July)	No. of TA issued in 2018
No. of Tenancies	1636	1464	223	182	199

8. Financial Highlights

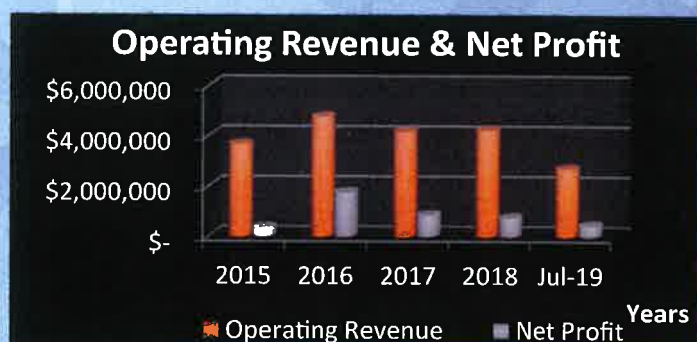
Total Assets & Shareholder's Funds

Years	Total Assets	Total Equity
2015	35,434,599	21,078,972
2016	37,857,045	23,497,661
2017	38,731,914	24,072,225
2018	40,786,023	24,889,326
Jul-19	41,683,056	25,138,406



Operating Revenue & Net Profit

Years	Operating Revenue	Net Profit
2015	3,665,560	359,943
2016	4,760,863	1,749,504
2017	4,160,886	851,207
2018	4,220,077	752,932
Jul-19	2,706,736	441,184



Net profit reduced by 41% in 2019 compared to year 2018. The profit for 2019 is for 7 months only.

Return on Investment & Assets

Years	ROE	ROA
2015	2%	1%
2016	8%	5%
2017	4%	2%
2018	3%	2%
Jul-19	2%	1%



9. Financial Report
Statement of Comprehensive Income (Extract)

	7 Months	12 Months
	period ending	period ending
	31.07.19	31.12.18
Total Income	2,706,736	4,220,077
Total Expenses	(1,941,526)	(3,450,588)
Operating profit before interest expenses	765,210	769,489
<i>Operating profit % to Total Income</i>	<i>28.27%</i>	<i>18.23%</i>
Finance Cost	(55,708)	(16,557)
Net profit for the years	709,502	752,932
<i>Net Profit % to Total Income</i>	<i>26.21%</i>	<i>17.84%</i>
Write off prior years work in progress	(268,318)	
Total comprehensive income for the year	441,184	752,932

Total Income reported as at 31st July is \$2,706,736 which is for 7 months compared to \$4,220,077 which is for a year for 2018.

Total comprehensive surplus (net profits) for year 2019 decreased by \$311,748 and approximately 41%% compared against 12-month period for 2018.

Statement of Financial Position (Extract)

	7 months	12 months
	period ending	period ending
	31.07.2019	31.12.2018
	\$	\$
Non Current Assets	33,825,404	34,869,653
Current Assets	7,857,652	5,916,370
Total Assets	41,683,056	40,786,023
Total Equity	25,138,406	24,889,326
Non Current Liabilities	14,783,822	14,342,246
Current Liabilities	1,760,828	1,554,451
Total Liabilities	16,544,650	15,896,697
Total Equity and Liability	41,683,056	40,786,023

Non-Current assets decreased by approximately 2.99% due to decrease in long term deposit. Current Assets increased by approximately 32.81% due to increase in short term deposit and receivables and Prepayments. Total equity increased by approximately 1%.

Cash Flow

Net cash flow for the financial year ending 31st July 2019 was managed efficiently.

10. Financial Ratio Analysis

Liquidity & Activity Analysis

Liquidity analysis measures the adequacy of the Board's cash resources to meet its near-term cash obligations.

Activity analysis evaluates revenue and output generated by the Board's assets.

I. Current Ratio

	July 2019	2018
Current Asset / Current Liabilities	4.46	3.18

II. Average No. of Days Receivables Outstanding – Measures the effectiveness of the Board's credit policies and indicates the level of investment in receivables needed to maintain a desired rental income level.

	July 2019	2018
Average No. of Days Receivables Outstanding	19	8

Average collection days increased in the reporting period compared against the 12-month period last year. The percentage of rental arrears against rental revenue for the period is 5% while for 2018 was 2%.

Long-Term Debt and Solvency Analysis

This examines the Board's capital structure, including the mix of financing sources and the ability of PRB to satisfy its longer-term debt and investment obligations.

III. Debt to Equity Ratio (financial leverage) – Measures how much money the Board should safely be able to borrow over a long period of time.

	July 2019	2018
Total Debt / Total Equity	0.66	0.64

The debt-to-equity ratio for financial period ending 2019 slightly increased compared to financial year ending 2018.

Profitability Analysis

Measures the income of the Board relative to revenue and invested capital.

IV. Return on Assets (ROA) – Measures how much profit is generated on every dollar of assets. This is a strong basis to gauge the asset intensity of the Board. It is probably one of the most useful measures of management's ability and efficiency in using the Board's assets to generate (operating) profits.

ROA is calculated using the formula: $\text{Net Profit} / \text{Average Total Assets}$

	July 2019	2018
Return on Assets	1 %	2 %

As a general rule, anything below 5% is more assets intensive whilst anything above 20% is less asset intensive. The Board's ROA is more asset intensive.

V. Return on Equity (ROE) – Measures how much profit is earned in comparison with the total shareholder equity in the balance sheet.

ROE is calculated using the formula: Net Profit / Average Total Equity

	July 2019	2018
Return on Equity	2%	3%

ROE slightly decreased for the current period compared to year ending 2018. It is generally accepted that a high return on equity is capable of generating cash internally. The required rate of return on equity ratio is 10%.

VI. Profitability Ratio – Measures the percentage of profit made on income by the Board.

	July 2019	2018
Profitability Ratio	16%	18%

The profitability ratio decreased for current reporting financial by approximately 2% compared to the year ending 2018 mainly due to write off expenses from prior year work in progress.

11. Human Resources, Payroll & Administration Report

Staff Personnel

Public Rental Board's personnel are divided into two categories of Established and Permanent Un-Established Staff. Staff cost continue to be a major expense for the Board. This comprises approximately 23% of the total revenue in the current period. This percentage is high but is expected to reduce through economy of scale and close monitoring by the Board. Public Rental Board staff and cost in the financial year is provided as follows:

Division	No. of Staff	Female	Male
Executive	3	1	2
Finance and Administration	9	7	2
Property	15	4	11
Un-Established	20	1	19
Total	47	13	34

Training and Awareness

Training & development has been an ongoing challenge for the Board as it pursues the alignment of knowledge, skills and attitude of its workforce to new methods.

The Board ensures that relevant training and development of its workers are conducted at all levels of the organization. Performance gaps were identified during the Performance Management System's evaluation process in the reporting year and necessary actions are taken in terms of training (mostly internal) in order to address these gaps. In addition to in-house training and workshops, employees also attended work related short courses conducted by various training institutions.

Courses/Conference	Facilitator	No. Of Participants
National IT Conference	FNU	1
Fiji Institute of Accountants	FIA	2
EFT training	DXC	5
FICAC Awareness	FICAC	All
OHS Module 1 & 2	Hirdesh Shukla	15

Market Salary Adjustment and Performance Management System (PMS)

Currently all staff are paid in accordance with the market salary rates implemented in 2018. Job Evaluation was carried out in 2017 and implemented in 2018.

12. Information & Communication Technology

The server hardware resources has been upgraded to optimize performance. We have also successfully upgraded our Phone systems and all network equipment to be in par with IT technology.

Some minor enhancements such as, office alarm system, CCTV systems, EFTPOS setup and new color printer for our office was also done. Work has been initiated to setup electronic payments.

13. Acknowledgement

On behalf of the Management Team, I acknowledge the support given by the Ministry of Housing and Community Development, related Ministries, Board of Directors, staff and stakeholders who worked in collaboration with us to better our performance for the period ending July 2019.

We appreciate your trust and confidence and we look forward to your continued support in the future.



Pat Veu
Acting General Manager

OFFICE OF THE AUDITOR GENERAL

Promoting Public Sector Accountability and Sustainability through our Audits



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Suva, Fiji

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File: 1296

28 February 2022

Mr. Viliame Vodonaivalu
The Chairman
Public Rental Board
Housing Authority Building
VALELEVU

Dear Mr. Vodonaivalu

PUBLIC RENTAL BOARD

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

The audited financial statements for Public Rental Board for the year ended 31 July 2019 together with my audit report on them are enclosed.

Particulars of the errors and omission arising from the audit have been forwarded to the management of the Board for necessary action.

Yours sincerely

Sairusi Dukuno
ACTING AUDITOR-GENERAL

**PUBLIC RENTAL BOARD
FINANCIAL STATEMENTS
FOR THE 7 MONTHS PERIOD ENDED 31 JULY 2019**

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**PUBLIC RENTAL BOARD
DIRECTORS' REPORT
FOR THE 7 MONTHS PERIOD ENDED 31 JULY 2019**

In accordance with a resolution of the Board of Directors, the Directors herewith submit the statement of financial position of Public Rental Board ("the Board") as at 31 July 2019, the related statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the 7 months period ended on that date and report as follows:

Directors

The Board of Directors at the date of this report are:

Directors	Appointed		Served Until
Mr. Umarji Musa	May-16	Board member	May-19
Mr. Roveen Pernal	May-16	Board member	03-Jun-20
Mr. Nesbitt Hazelman	May-16	Board member	03-Jun-20
Mr. Craig Strong	May-19	Board member	03-Jun-20
Mr. Mohit Kumar Raj	May-19	Board member	25-Oct-21
Ms. Anabel Ali	May-19	Board member	25-Oct-21
Ms. Lorraine Seeto	03-Jun-20	Chairperson	25-Oct-21
Ms. Senikavika Jiuta	03-Jun-20	Board member	25-Oct-21
Mr. Viliame Vodonaivalu	26-Oct-21	Chairperson	25-Oct-24
Mr. Saud Minam	26-Oct-21	Board member	25-Oct-24
Ms. Florence Takinana	26-Oct-21	Board member	25-Oct-24
Ms. Renee Duguivalu	26-Oct-21	Board member	25-Oct-24
Ms. Susan Naidu	26-Oct-21	Board member	25-Oct-24
Mr. Anil Prasad	26-Oct-21	Board member	25-Oct-24

Principal Activities

The principal activities of the Board during the course of the 7 months period ending 31 July 2019 were to provide public rental housing to low income earners, estate services and building projects. There were no significant changes in the nature of activities of the Board during the period.

Changes in financial year

The Board aligned its financial reporting period to that of the Government of Fiji and its line Ministry. The change in the financial year is from 1st January - 31st December to 1st August - 31st July. The results reflect performance for the 7 months ended 31 July 2019.

Registered Office

The Board's head office is located at Housing Authority Building, Saqa Street, Valelevu, Nasinu.

Results

The operating profit for 7 months period ended 31 July 2019 was \$441,184 (2018(Restated) :\$752,932).

Reserves

The Directors recommend that no amount be transferred to or from reserves except for movements required by International Financial Reporting Standards.

Bad and Doubtful Debts

Prior to the completion of the Board's financial statements, the Directors took reasonable steps to ascertain that actions had been taken in relation to the writing off of bad debts. In the opinion of the Directors, the provision for doubtful debts (estimated credit loss) is adequate.

As at the date of this report, the Directors are not aware of any circumstances, which would render the amount written off for bad debts inadequate to any substantial extent.

PUBLIC RENTAL BOARD
DIRECTORS' REPORT *continued*
FOR THE 7 MONTHS PERIOD ENDED 31 JULY 2019

Non-current Assets

Prior to the completion of the financial statements of the Board, the Directors took reasonable steps to ascertain whether any non-current assets were unlikely to be realised in the ordinary course of business compared to their values as shown in the accounting records of the Board. Where necessary, these assets have been written down or adequate provision has been made to bring the values of such assets to an amount that they might be expected to realise.

As at the date of this report, the Directors are not aware of any circumstances, which would render the values attributed to non-current assets in the Board's financial statements misleading.

Unusual Transactions

Apart from these matters and other matters specifically referred to in the financial statements, in the opinion of the Directors, the results of the operations of the Board during the financial period were not substantially affected by any item, transaction or event of a material unusual nature, nor has there arisen between the end of the financial period and the date of this report any item, transaction or event of a material unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Board in the current financial period, other than those reflected in the financial statements.

Events Subsequent To Balance Date

- a) The proposed merger with the Housing Authority of Fiji was announced in Parliament on 19 February 2020. As at the date of this financial statements, the merger is yet to be formalised and timelines yet to be confirmed. However, the Headquarters of the Board has moved to the Housing Authority building in Valelevu.
- b) The World Health organization (WHO) declared the Coronavirus (COVID 19) a "Public Health Emergency of International concern". Whilst measures and policies have been taken by the national government and nearby trading countries to prevent the spread of the virus, the impact of the virus on amounts and estimates reported or used in the preparation of 2019 financial statements is not expected to be material.

However, the impact of the prolonged pandemic on the Board's cash flows is expected in subsequent years. From April 2020, the Board approved a Rental Defferment exercise to assist tenants during the pandemic. The Defferement is expected to be lifted when the economy is stable.
- c) The Board, subsequent to balance date, carried out a revaluation exercise for its land and building. This exercise will bring into account value of buildings that have zero written down value but is still being used by the Board in fulfilling its activities as required by law.

Other Circumstances

As at the date of this report:

- (i) no charge on the assets of the Board has been given since the end of the financial period to secure the liabilities of any other person;
- (ii) no contingent liabilities have arisen since the end of the financial period for which the Board could become liable; and
- (iii) no contingent liabilities or other liabilities of the Board has become or is likely to become enforceable within the period of twelve months after the end of the financial period which, in the opinion of the Directors, will or may substantially affect the ability of the Board to meet its obligations as and when they fall due.

As at the date of this report, the Directors are not aware of any circumstances that have arisen, not otherwise dealt with in this report or the Board's financial statements, which would make adherence to the existing method of valuation of assets or liabilities of the Board misleading or inappropriate.

**PUBLIC RENTAL BOARD
DIRECTORS' REPORT *continued*
FOR THE 7 MONTHS PERIOD ENDED 31 JULY 2019**

Directors' Benefits

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than those included in the aggregate amount of emoluments received or due and receivable by Directors shown in the financial statements or received as the fixed salary of a full-time employee of the Board or of a related corporation) by reason of a contract made by the Board or by a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

For and on behalf of the Board and in accordance with a resolution of the Directors.

Dated this 20th day of January 2022.



Chairman



Director

**PUBLIC RENTAL BOARD
STATEMENT BY DIRECTORS
FOR THE 7 MONTHS PERIOD ENDED 31 JULY 2019**

In accordance with a resolution of the Board of Directors of Public Rental Board, we state that in the opinion of the Directors:

- (i) the accompanying statement of profit or loss and other comprehensive income of the Board is drawn up so as to give a true and fair view of the results of the Board for the 7 months period ended 31 July 2019;
- (ii) the accompanying statement of changes in equity of the Board is drawn up so as to give a true and fair view of the changes in equity of the Board for the 7 months period ended 31 July 2019;
- (iii) the accompanying statement of financial position of the Board is drawn up so as to give a true and fair view of the state of affairs of the Board as at 31 July 2019;
- (iv) the accompanying statement of cash flows of the Board is drawn up so as to give a true and fair view of the cash flows of the Board for the 7 months period ended 31 July 2019;
- (v) at the date of this statement there are reasonable grounds to believe the Board will be able to pay its debts as and when they fall due; and
- (vi) all related party transactions have been adequately recorded in the books of the Board.

For and on behalf of the board and in accordance with a resolution of the Directors,

Dated this 20th day of January 2022.



Chairman


Director

OFFICE OF THE AUDITOR GENERAL

Promoting Public Sector Accountability and Sustainability through our Audits



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INDEPENDENT AUDITOR'S REPORT

Public Rental Board

Report on the Audit of the Financial Statements

Opinion

I have audited the financial statements of Public Rental Board (*"the Board"*), which comprise the statement of financial position as at 31 July 2019, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Board as at 31 July 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting standards (IFRS).

Basis for Opinion

I have conducted my audit in accordance with International Standards on Auditing (ISA). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Board in accordance with the International Ethics Standards Board for Accountant's *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to my audit of the financial statements in Fiji and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matters

I draw attention to the following matters:

1. Note 24 (a) to the financial statements notes that the proposed merger of the Board with Housing Authority was announced in Parliament on 19 February 2020. As set out in Note 24 (a), the merger is yet to be formalized and timelines are yet to be confirmed.
2. Note 24 (b) to the financial statements notes the novel coronavirus (COVID-19) global pandemic subsequent to 31 July 2019 and how this has been considered by the Board in the preparation of the financial statements. As set out in Note 24(b), no adjustment have been made to the financial statements as at 31 July 2019 for the impacts of COVID-19.

My opinion is not modified in respect of these matters.

Responsibilities of the management and those charged with governance for financial statements

The management and directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as the management and Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management and Directors are responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management and Directors either intend to liquidate the Board or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with ISA, I exercise professional judgment and maintain professional skepticism throughout the audit. I also;

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's and Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If I conclude that material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures, are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Board's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report on Other Legal and Regulatory Requirements

In my opinion, the financial statements have been prepared in accordance with the requirements of the Housing Act 1985 in all material respects, and;

- a) I have been given all information, explanations and assistance necessary for the conduct of the audit; and
- b) The Board has kept financial records sufficient to enable the financial statements to be prepared and audited.



Sairusi Dukuno
ACTING AUDITOR-GENERAL



Suva, Fiji
28 February 2022

**PUBLIC RENTAL BOARD
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE 7 MONTHS PERIOD ENDED 31 JULY 2019**

	Notes	For the 7 months period ended 31 July 2019 \$	For the 12 months ended 31 December 2018 \$ (Restated)
Revenue			
Rental revenue		2,537,644	4,093,335
Other operating income	2	169,092	126,742
		<u>2,706,736</u>	<u>4,220,077</u>
Expenses			
Amortisation and depreciation expense		(545,619)	(762,748)
Amortisation of right-of-use assets	21	(7,174)	-
Employee benefit expenses	3	(629,458)	(1,173,923)
Other operating expenses	4	(759,275)	(1,513,917)
		<u>(1,941,526)</u>	<u>(3,450,588)</u>
Profit from operations		765,210	769,489
Finance cost	5	(55,708)	(16,557)
		<u>709,502</u>	<u>752,932</u>
Net profit for the period			
Write off prior years work in progress	24(b)	(268,318)	-
		<u>441,184</u>	<u>752,932</u>
Total comprehensive income for the period			

The accompanying notes form an integral part of this Statement of Profit or Loss and Other Comprehensive Income.

**PUBLIC RENTAL BOARD
STATEMENT OF CHANGES IN EQUITY
FOR THE 7 MONTHS PERIOD ENDED 31 JULY 2019**

	Notes	For the 7 months period ended 31 July 2019 \$	For the 12 months ended 31 December 2018 \$ (Restated)
Contributed equity			
Balance at the beginning of the period		20,692,166	20,692,166
Additions during the period		-	-
Balance at the end of the period		<u>20,692,166</u>	<u>20,692,166</u>
Retained earnings			
Balance at the beginning of the period		4,197,160	3,380,059
Net profit for the period		441,184	752,932
Effect of adoption of IFRS 9 Financial Instruments		-	(9,233)
Effect of adoption of IFRS 16 Leases	1.2	(192,104)	-
Adjustment to prior period Accruals	24	-	73,402
Balance at the end of the period		<u>4,446,240</u>	<u>4,197,160</u>
Total equity		<u>25,138,406</u>	<u>24,889,326</u>

The accompanying notes form an integral part of this Statement of Changes in Equity.

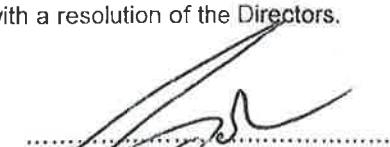
**PUBLIC RENTAL BOARD
STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2019**

	Notes	31 July 2019 \$	31 December 2018 \$ (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	6	32,649,345	33,102,156
Right-of-use assets	20	950,279	-
Intangible assets	7	134,471	176,188
Financial assets	8	91,309	1,591,309
		<u>33,825,404</u>	<u>34,869,653</u>
Current assets			
Cash and cash equivalents	9	2,743,362	2,516,896
Financial assets	8	4,806,470	3,169,328
Rent receivable	10	102,801	47,886
Inventories	11	6,459	4,935
Prepayments and other assets	12	198,560	177,325
		<u>7,857,652</u>	<u>5,916,370</u>
TOTAL ASSETS		<u>41,683,056</u>	<u>40,786,023</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Contributed equity		20,692,166	20,692,166
Retained earnings		4,446,240	4,197,160
Total equity		<u>25,138,406</u>	<u>24,889,326</u>
Non-current liabilities			
Deferred revenue	13	4,166,431	4,168,165
Interest-bearing debt	14	9,898,782	10,174,081
Lease liabilities	20	718,609	-
		<u>14,783,822</u>	<u>14,342,246</u>
Current liabilities			
Trade payables and accruals	15	1,620,360	1,225,124
Lease liabilities	20	773	-
Deferred revenue	13	9,569	16,404
Employee entitlements	16	130,126	312,923
		<u>1,760,828</u>	<u>1,554,451</u>
Total liabilities		<u>16,544,650</u>	<u>15,896,697</u>
TOTAL EQUITY AND LIABILITIES		<u>41,683,056</u>	<u>40,786,023</u>

The accompanying notes form an integral part of this Statement of Financial Position.

For and on behalf of the Board and in accordance with a resolution of the Directors.


Chairman


Director

**PUBLIC RENTAL BOARD
STATEMENT OF CASH FLOWS
FOR THE 7 MONTHS PERIOD ENDED 31 JULY 2019**

	Notes	For the 7 months period ended 31 July 2019 Inflows/ (Outflows) \$	For the 12 months ended 31 December 2018 Inflows/ (Outflows) \$
Operating activities			
Receipts from customers		2,587,583	4,207,313
Payments to suppliers and employees		(1,206,725)	(2,872,207)
Interest paid	5	(212,076)	(249,838)
Interest received	5	156,368	233,281
Cash flows from operating activities		<u>1,325,150</u>	<u>1,318,549</u>
Investing activities			
Payments for property, plant and equipment		(749,155)	(837,980)
Proceeds from sale of assets		63,340	3,360
Payments for investments (net)		(137,142)	(1,812,546)
Cash flows used in investing activities		<u>(822,957)</u>	<u>(2,647,166)</u>
Financing activities			
Proceeds of Government Grant- Capital	13	-	2,225,533
Repayments of borrowings		(275,299)	(805,356)
Repayment of lease liabilities		(428)	-
Cash flows (used in)/ from financing activities		<u>(275,727)</u>	<u>1,420,177</u>
Net increase in cash and cash equivalents		226,466	91,560
Cash and cash equivalents at the beginning of the period		2,516,896	2,425,336
Cash and cash equivalents at the end of the	9	<u><u>2,743,362</u></u>	<u><u>2,516,896</u></u>

The accompanying notes form an integral part of the Statement of Cash Flows.

**PUBLIC RENTAL BOARD
NOTES TO FINANCIAL STATEMENTS
FOR THE 7 MONTHS PERIOD ENDED 31 JULY 2019**

1.0 Corporate Information

The Public Rental Board ("the Board") is a fully owned Government of Fiji entity domiciled in Fiji. The financial statements were authorised for issue in accordance with a resolution of the Directors on 20th January 2020.

The principal activities of the Board are described in Note 22.

1.1 Basis of preparation of the Financial Statements

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Fiji dollars and all values are rounded to the nearest dollar except when otherwise indicated.

Statement of compliance

The financial statements of Public Rental Board have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Going concern

Borrowings of the Board that are utilised to fund its ongoing operations are guaranteed by the Government of Fiji and on this basis, the Board is satisfied that it will continue as a going concern and will be able to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the classification of liabilities that may be necessary if the Board is unable to continue as a going concern.

1.2 Changes in Accounting Policies and Disclosures

New and amended standards and interpretations

The Board applied IFRS 16 *Leases* for the first time during the period. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the Board. The Board has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

PUBLIC RENTAL BOARD
NOTES TO FINANCIAL STATEMENTS *continued*
FOR THE 7 MONTHS PERIOD ENDED 31 JULY 2019

1.2 Changes in Accounting Policies and Disclosures *continued*

IFRS 16 Leases *continued*

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Board is the lessor.

The Board adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Board elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Board applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease)) is, as follows:

	\$
Assets	
Right-of-use assets	957,453
Property, plant and equipment	(429,746)
Total assets	<u>527,707</u>
Liabilities	
Lease liability	719,811
Total liabilities	<u>719,811</u>
Total adjustment on equity:	
Retained earnings	<u>(192,104)</u>

The Board has lease contracts for native and crown land. Before the adoption of IFRS 16, the Board classified each of its leases (as lessee) at the inception date as an operating lease.

Upon adoption of IFRS 16, the Board applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets.

- *Leases previously classified as finance leases*

The Board did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 January 2019.

- *Leases previously accounted for as operating leases*

The Board recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

PUBLIC RENTAL BOARD
NOTES TO FINANCIAL STATEMENTS *continued*
FOR THE 7 MONTHS PERIOD ENDED 31 JULY 2019

1.2 Changes in Accounting Policies and Disclosures *continued*

IFRS 16 Leases *continued*

The Board also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Relied on its assessment of whether leases are onerous immediately before the date of initial application.
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date initial application.
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Based on the above, as at 1 January 2019:

- Right-of-use assets of \$957,453 were recognised and presented separately in the statement of financial position.
- Lease liabilities of \$719,811 were recognised and presented separately in the statement of financial position.
- The net effect of these adjustments had been adjusted to retained earnings \$192,104.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

Assets	\$
Operating lease commitments as at 31 December 2018	2,552,48
Weighted average incremental borrowing rate as at 1 January 2019	6.15
Discounted operating lease commitments as at 1 January 2019	<u>719,81</u>
Lease liabilities as at 1 January 2019	<u><u>719,81</u></u>

1.3 Significant accounting judgments, estimates and assumptions

The preparation of the Board's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgments

In the process of applying the Board's accounting policies, management has made the following judgment, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statement

1.3 **Significant accounting judgments, estimates and assumptions *continued***

Judgments *continued*

Leases

Policy applicable from 1 January 2019

Determining the lease term of contracts with renewal and termination options – Board as lessee

The Board determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Board has several lease contracts that include extension and termination options. The Board applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Board reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

Property lease classification – Board as lessor

The Board has entered into commercial property leases on its investment property portfolio. The Board has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

Estimation and assumption

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant task of causing a material adjustment to the carrying amount of assets and liabilities within the next financial period are discussed below:

Expected credit loss

The Board uses a provision matrix to calculate Expected Credit Losses ("ECLs") for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Board's historical observed default rates. The Board will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in a customer segment, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

1.3 Significant accounting judgments, estimates and assumptions *continued*

Estimation and assumption *continued*

Expected credit loss continued

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Board's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Board's trade receivables and contract assets is disclosed in Note 22.

Impairment of non-financial assets

The Board assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

Significant judgements and estimates relating to the application of IFRS 16

The application of IFRS 16 requires the Board to make judgments and estimates that affect the measurement of right-of-use assets and liabilities in determining the lease term, we must consider all facts and circumstances that create an economic incentive to exercise renewal options (or not exercise termination options). Assessing whether a contract includes a lease also requires judgment. Estimates are required to determine the appropriate discount rate used to measure lease liabilities.

Leases - Estimating the incremental borrowing rate

The Board cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Board would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Board 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Board estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

1.4 Significant accounting policies

a) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria is met. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria is satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

1.4 Significant accounting policies *continued*

a) Property, plant and equipment *continued*

Depreciation is calculated on a straight line basis over the useful life of the asset as follows:

Leasehold land	Over period of lease
Building	2-3%
Furniture, fittings and equipment	20%
Motor vehicles	20%
Office premises	2.5%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year the asset is recognised.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial period end.

b) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets for the Board are assessed to be finite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial period end. Changes in the expected useful life or expected pattern of consumption in future economic benefits embodied in the asset is accounted by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangibles assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible assets.

Gain or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

c) Impairment of non-financial assets

The Board assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Board estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

PUBLIC RENTAL BOARD
NOTES TO FINANCIAL STATEMENTS *continued*
FOR THE 7 MONTHS PERIOD ENDED 31 JULY 2019

1.4 Summary of significant accounting policies *continued*

c) Impairment of non-financial assets *continued*

When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate value model is used.

For previously impaired assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Board makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in previous periods. Such a reversal is recognised in the income statement.

d) Inventories

Inventories include spare parts and materials held for general repairs and maintenance of the Board's properties and are valued at the lower of cost and net realisable value. Cost has been determined on the basis of the "first-in-first-out" principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location. Provision for inventory obsolescence is created for obsolete inventory items.

e) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short term deposits with an original maturity of three months or less.

f) Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

For purposes of subsequent measurement, the Board's financial assets are classified in two categories:
- Financial assets at fair value through profit or loss (derivative financial instruments).

- Financial assets at fair value through profit or loss; and
- Financial assets measured at amortised cost (rent and other trade receivables, cash and short-term deposits).

1.4 Summary of significant accounting policies *continued*

f) Financial instruments - initial recognition and subsequent measurement *continued*

i) Financial assets *continued*

Initial recognition and measurement *continued*

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Board's business model for managing them. The Board initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. As the Board's rent and other trade receivables do not contain a significant financing component, they are measured at the transaction price determined under IFRS 15. Refer to the accounting policies on revenues from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Board's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Since the Board's financial assets (rent and other trade receivables, cash and short-term deposits) meet these conditions, they are subsequently measured at amortised cost.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Board's statement of financial position) when:

- The rights to receive cash flows from the asset have expired.
- Or
- The Board has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Board has transferred substantially all the risks and rewards of the asset, or (b) the Board has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

1.4 Summary of significant accounting policies *continued*

f) Financial instruments - initial recognition and subsequent measurement *continued*

i) Financial assets *continued*

Derecognition continued

When the Board has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Board continues to recognise the transferred asset to the extent of continuing involvement. In that case, the Board also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Board has retained.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Rent and other trade receivables (Note 10)
- Financial risk management objectives and policies (Note 22)

The Board recognises an allowance for expected credit losses ("ECLs") for all receivables at amortised cost held by the Board. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Board expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For rent and other trade receivables, the Board applies a simplified approach in calculating ECLs. Therefore, the Board does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date (i.e., a loss allowance for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default). The Board has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Board considers a financial asset in default when contractual payments are due as a result of vacant properties (flats). However, in certain cases, the Board may also consider a financial asset to be in default when internal or external information indicates that the Board is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Board. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

1.4 Summary of significant accounting policies *continued*

ii) Financial liabilities

Initial recognition and measurement

The Board's financial liabilities comprise interest-bearing loans and borrowings and trade and other payables.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of all financial liabilities except derivative financial instruments, net of directly attributable transaction costs.

Subsequent measurement

For purposes of subsequent measurement, all financial liabilities, except derivative financial instruments, are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the Effective Interest Rate (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

For more information on the interest-bearing loans and borrowings, refer to Note 14.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are off set and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

g) Provisions

Provisions are recognised when the Board has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation.

1.4 Summary of significant accounting policies *continued*

g) Provisions *continued*

Where the Board expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when reimbursement is virtually certain. If the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

h) Employee entitlements

Employee entitlements relating to wages, salaries, annual leave, sick leave, long service leave and retirement benefit represents the amount which the Board has a present obligation to pay resulting from the employees' services provided up to balance date.

Wages and salaries, sick leave and annual leave

Liabilities for wages and salaries and annual leave are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

Provision for long service leave

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Retirement provision

Provision for retirement leave have been calculated and recorded on an basis, as at end of the reporting period.

Provision for retirement is for those above the retirement age or are close to the retirement age as per policy "Applicable where an Employee reaches the normal retirement age of 55 years or should they voluntarily retire at the age of 45 years. Upon retirement payment shall be one (1) weeks' pay for each completed year of service provided the Employee has served for a minimum of;

For medical reasons – three (3) years

In all other cases – four (4) years

i) Leased assets

Policy applicable from 1 January 2019

Board as a lessee

The Board has lease contracts for crown and native land used in its operations. Leases of crown and native land generally have lease terms 63 to 99 years.

Board as a lessor

The Board has entered into operating leases on its investment property portfolio consisting of housing units. These leases have terms of 3 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions and wage brackets.

1.4 Summary of significant accounting policies *continued*

i) Leased assets *continued*

Policy applicable before 1 January 2019

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Board as a lessee

Finance leases, which transfer to the Board substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Board will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term.

Board as a lessor

Leases where the Board does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

j) Taxes

Under Section 26 of the Housing Act (Cap. 267), the Board is exempt from income tax. This is confirmed by the Income Tax (Exempt Income) Regulations 2016.

k) Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost (inclusive of VAT where applicable) which is the fair value of the consideration to be paid in the future for goods and services received whether or not billed to the entity. Amounts payable that have been denominated in foreign currencies have been translated to local currency using the rates of exchange ruling at the end of the financial period.

l) Rent receivables

Rent receivables are recognised at their original invoiced value except where the time value of money is material, in which case rent receivables are recognised at fair value and subsequently measured at amortised cost.

1.4 Summary of significant accounting policies *continued*

m) Tenant deposit

Tenant deposits are initially recognised at fair value and subsequently measured at amortised cost. Any difference between the initial fair value and the nominal amount is included as a component of operating lease income and recognised on a straight-line basis over the lease term.

n) Revenue recognition

The Board's key source of income is rental income.

Rental income

The Board earns revenue from acting as a lessor in operating leases. Rental income arising from operating leases on property is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature, except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income. Rental income is derived from rent received from rental housing provided to low income earners. Rental income is recognised on an accrual basis.

Government grant

The Government provides an annual grant to the Board to subsidize rental payments for tenants. Any grants that are not utilised at year end are shown as a liability until such time as they are applied. The Government grant takes the following forms:

i) *Social cost grant*

Funds received from Government are applied to subsidize the social cost that is incurred by the Board in levying rental below market rates. The amount is recognised directly in the profit or loss as revenue when the grant is received.

ii) *Rent subsidy grant*

Funds received from Government to subsidize the rental charges levied by the Board to tenants. The grant is allocated to specific tenant rental accounts on a progressive basis on the level of income earned by tenants.

iii) *Deferred grant*

Any other government grant is recognised in the statement of financial position initially as deferred income when there is reasonable assurance that it will be received and that the Board will comply with the conditions attaching to it. Grants that compensate the Board for the cost of an asset are recognised in the profit or loss as revenue on a systematic basis over the useful life of the asset.

1.4 Summary of significant accounting policies *continued*

o) Net financing cost

Net financing costs comprise of bank charges, interest received and interest paid, foreign exchange gains and losses and payable on borrowings and are recognised in the profit or loss.

p) Current versus non-current classifications

The Board presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realised within twelve months after the reporting period.

or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period.

or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Board classifies all other liabilities as non-current.

q) Lease liabilities

The lease liability is measured at the present value of the fixed lease payments net of cash lease incentives that are not paid at the balance date. Lease payments are apportioned between the finance charges and reduction of the lease liability using the incremental borrowing rate implicit in the lease to achieve a constant rate of interest on the remaining balance of the liability.

Lease modifications are accounted for as a new lease with an effective date of the modification.

Amortisation

Amortisation of leased assets is calculated using the straight-line method to allocate their cost, net of the residual values, over the remaining lease term.

r) Comparatives

The financial statements are for the 7 months period ended 31 July 2019. The Board is required to align its reporting period to that of the Government of Fiji. Therefore, the amounts presented in the financial statements are not entirely comparable.

PUBLIC RENTAL BOARD
NOTES TO FINANCIAL STATEMENTS *continued*
FOR THE 7 MONTHS PERIOD ENDED 31 JULY 2019

1.5 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Board's financial statements include:

- an amendment to IFRS 3 Business Combination on the definition of a business; and
- amendments to IAS 1 and IAS 8 in the definition of "material" to ensure the definition is aligned across the standards.

The Board intends to adopt these amendments when they become effective. The amendments will not have an material impact on the Board.

	7 months ended 31 July 2019	12 months ended 31 December 2018
	\$	\$
2. Other operating income		
Amortisation of deferred revenue from government grants	9,569	16,404
Taxi base income	12,760	18,980
Community income	15,170	28,776
Maintenance income	4,155	5,674
Bill board income	21,393	36,831
Market stall fees	135	-
Gain on sale of property, plant and equipment	63,340	3,360
Expected credit loss reversed	16,996	-
Miscellaneous income	7,466	16,717
Rental - others	18,108	-
	<u>169,092</u>	<u>126,742</u>
3. Employee benefit expense		
Salaries and wages	563,242	869,028
Fiji National Provident Fund contributions	50,473	93,855
Fiji National University levy	2,665	12,300
Personnel expenses	13,078	198,740
	<u>629,458</u>	<u>1,173,923</u>
4. Other operating expense		
Auditors' remuneration - audit fees	12,000	12,000
Expected credit loss	-	6,487
Insurance	78,653	148,910
Repairs and maintenance	273,700	570,228
Professional services	45,228	108,408
Motor vehicle	26,920	54,123
Utilities and councils	131,614	255,747
Office and administration	160,207	311,854
Board expenses	16,844	25,468
Bank charges	4,963	6,537
Advertising and promotions	9,146	14,158
	<u>759,275</u>	<u>1,513,917</u>

The number of employees at the end of the financial period was 47 (2018: 46).

PUBLIC RENTAL BOARD
NOTES TO FINANCIAL STATEMENTS *continued*
FOR THE 7 MONTHS PERIOD ENDED 31 JULY 2019

	7 months ended 31 July 2019 \$	12 months ended 31 December 2018 \$
5. Net financing cost		
Interest income	(156,368)	(111,975)
Foreign exchange gain	-	(121,306)
Interest expense - loan	92,719	197,779
Foreign exchange loss	93,528	52,059
Interest on lease liabilities	25,829	-
Net cost	<u>55,708</u>	<u>16,557</u>
6. Property, plant and equipment		
<u>Land and buildings</u>		
<i>Cost:</i>		
At 1 January	44,202,762	37,548,937.00
Transfers from WIP	-	6,864,822.00
Transfer of leased land to ROU assets	(638,130)	-
Disposals	-	(210,997.00)
At the end of period	<u>43,564,632</u>	<u>44,202,762.00</u>
<i>Depreciation and impairment</i>		
At 1 January	12,116,350	11,747,149.00
Depreciation charge for the period	420,199	580,198.00
Transfer of accumulated amortisation of leased land	(208,384)	-
Disposals	-	(210,997.00)
At the end of period	<u>12,328,165</u>	<u>12,116,350.00</u>
Net book value	<u>31,236,467</u>	<u>32,086,412.00</u>
<u>Office premises</u>		
<i>Cost:</i>		
At 1 January	171,071	171,071.00
At the end of period	<u>171,071</u>	<u>171,071.00</u>
<i>Depreciation and impairment</i>		
At 1 January	116,829	115,401.00
Depreciation charge for the period	833	1,428.00
At the end of period	<u>117,662</u>	<u>116,829.00</u>
Net book value	<u>53,409</u>	<u>54,242.00</u>
<u>Motor vehicles</u>		
<i>Cost:</i>		
At 1 January	916,037	905,137.00
Additions	232,802	59,900.00
Disposals	(154,850)	(49,000.00)
At the end of period	<u>993,989</u>	<u>916,037.00</u>

PUBLIC RENTAL BOARD
NOTES TO FINANCIAL STATEMENTS *continued*
FOR THE 7 MONTHS PERIOD ENDED 31 JULY 2019

	7 months ended 31 July 2019 \$	12 months ended December 2018 \$ (Restated)
6. Property, plant and equipment <i>continued</i>		
<i>Depreciation and impairment</i>		
At 1 January	726,184	704,070
Depreciation charge for the period	49,495	57,470
Disposals	(154,850)	(35,360)
At the end of period	<u>620,829</u>	<u>726,184</u>
Net book value	<u>373,160</u>	<u>189,853</u>
<u>Furniture and fittings</u>		
<i>Cost:</i>		
At 1 January	833,997	786,717
Additions	49,306	47,280
At the end of the period	<u>883,303</u>	<u>833,997</u>
<i>Depreciation and impairment</i>		
At 1 January	718,490	668,940
Depreciation charge for the period	33,375	49,540
At the end of the period	<u>751,865</u>	<u>718,490</u>
Net book value	<u>131,438</u>	<u>115,507</u>
<u>Work in progress</u>		
<i>Cost:</i>		
At 1 January	656,142	6,793,520
Amounts derecognised	(268,318)	
Transfer to land and buildings	-	(6,877,133)
Additions	467,047	739,755
Net book value	<u>854,871</u>	<u>656,142</u>
Net book value	<u><u>32,649,345</u></u>	<u><u>33,102</u></u>
The additions to Work in Progress include the Savusavu Low Cost Housing Project and Simla Low Cost Housing Project.		
7. Intangible assets		
Cost		
At 1 January	698,822	681,000
Additions	-	16,000
At the end of the period	<u>698,822</u>	<u>698,000</u>
Less amortisation and impairment:		
At 1 January	522,634	448,000
Amortisation	41,717	74,000
Disposals/Addition	-	-
At the end of the period	<u>564,351</u>	<u>522,000</u>
Net book value	<u><u>134,471</u></u>	<u><u>176,000</u></u>

PUBLIC RENTAL BOARD
NOTES TO FINANCIAL STATEMENTS *continued*
FOR THE 7 MONTHS PERIOD ENDED 31 JULY 2019

	7 months ended 31 July 2019 \$	12 months ended 31 December 2018 \$
8. Financial assets		
Term deposits with an interest rate between 3% to 7% on 3 months to 5 year term are held at the various financial institutions. The term of more than 12 months are classified as non-current while within 12 months are classified as current investment. The term deposits are as follows:		
<u>Non-current</u>		
Bank of South Pacific	91,309	91,309
Westpac Banking Corporation	-	1,500,000
	<u>91,309</u>	<u>1,591,309</u>
<u>Current</u>		
Bred Bank	1,022,446	2,764,745
Westpac Banking Corporation	2,029,440	-
Kontiki Finance Limited	-	400,000
ANZ Bank	750,000	-
Bank of South Pacific	1,004,584	4,583
	<u>4,806,470</u>	<u>3,169,328</u>
Total financial assets	<u>4,897,779</u>	<u>4,760,637</u>

9. Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and in banks and investment in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash	<u>2,743,362</u>	<u>2,516,896</u>
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The cash at bank balance totaling \$1,568,994 is not available for use except for the following purpose:

Simla Housing Project	\$1,045,841
Savusavu Housing Project	\$523,153

10. Rent receivable

Rent receivable	129,803	91,884
Less: allowance for expected credit loss	(27,002)	(43,998)
	<u>102,801</u>	<u>47,886</u>

As at 31 July 2019 rent receivables at nominal value of \$129,803 (2018: \$91,884) were examined for impairment and \$27,002 (2018 : \$43,998) were provided for.

Movement in the provision for impairment of receivables were as follows:

At 1 January	43,998	29,725
Add: IFRS 9 impact for expected credit loss	-	9,233
Charge for the period/ year	-	6,487
Utilised	-	(1,447)
Unused amount reversed	(16,996)	-
for the period ending	<u>27,002</u>	<u>43,998</u>

PUBLIC RENTAL BOARD
NOTES TO FINANCIAL STATEMENTS *continued*
FOR THE 7 MONTHS PERIOD ENDED 31 JULY 2019

	7 months ended 31 July 2019 \$	12 months ended 31 December 2018 \$
10. Rent receivable <i>continued</i>		
For the period ended, the ageing analysis of rent receivables is as follows:		
Current	47,596	6,194
32- 61 days	19,634	25,009
62 -92 days	18,966	13,943
> 92 days	43,606	46,738
	<u>129,803</u>	<u>91,884</u>
11. Inventories		
Inventories - at cost	<u>6,459</u>	<u>4,935</u>
Inventories consists of items purchased and kept in stock for maintenance of properties.		
12. Prepayments and other assets		
Prepayments	127,962	73,882
Interest receivable	50,432	75,992
Sundry receivable	10,764	18,049
Construction refundable deposit	160	160
Security deposit - Energy Fiji Limited	9,242	9,242
	<u>198,560</u>	<u>177,325</u>
13. Deferred revenue		
Opening balance	4,184,569	1,976,440
Less: amortisation transferred to revenue	-9,569	-16,404
Add: capital grant - Simla project	0	2,225,533
Fund for new account	1,000	-1,000
	<u>4,176,000</u>	<u>4,184,569</u>
Current	9,569	16,404
Non-current	<u>4,166,431</u>	<u>4,168,165</u>
	<u>4,176,000</u>	<u>4,184,569</u>

Deferred revenue relates to grant received from the Government for the construction of the Newtown stage, Raiwaqa feasibility study, community halls at Vakatora in 2005, Vunimoli and Natokowaqa in 2008, Macfarlane and Kalabu in 2009, Votua, Levuka, Simla, Golf Link, Natabua and Naodamu. Revenue is brought to account over the periods necessary to match the related cost of the buildings. Government grant for Simla received in 2017 and 2018 has been added to Deferred Income in accordance with the Board's policy in Note 1.4 (n).

PUBLIC RENTAL BOARD
NOTES TO FINANCIAL STATEMENTS *continued*
FOR THE 7 MONTHS PERIOD ENDED 31 JULY 2019

	7 months ended 31 July 2019 \$	12 months ended 31 December 2018 \$
14. Interest-bearing debt		
<u>Non current</u>	1,134,190	1,134,190
Housing Authority bond	8,764,592	9,039,891
EXIM Bank of China	<u>9,898,782</u>	<u>10,174,081</u>

(i) The long term loan borrowed by the Ministry of Finance from the EXIM Bank of China, is guaranteed by the Government of the Republic of Fiji. The term loan was borrowed by the Ministry of Finance in 2010 and is payable in bi-annual instalment over fifteen years at a interest rate of 2%. The grace period has expired and loan repayments commenced in year 2016.

(ii) The Housing Authority bond is due and payable to the Government of the Republic of Fiji.

15. Trade payables and accruals

Trade creditors and accruals	25	336,085	489,861
Rental deposits		373,926	359,016
Advance Rent		452,947	465,295
Unallocated subsidy		458,175	(89,048)
		<u>1,621,133</u>	<u>1,225,124</u>

The table below summarises the maturity profile of the Board's financial liabilities for the period based on contractual undiscounted payments. This includes the interest bearing borrowings and the trade payables and accruals.

On demand	1,247,207	866,108
3 to 12 months	1,134,190	1,134,190
1 to 5 years	9,138,518	9,398,907
Total	<u>11,519,915</u>	<u>11,399,205</u>

16. Employee entitlements

At 1 January	312,923	148,393
Accumulating during the period	(174,784)	198,260
Utilised	(8,013)	(33,730)
Balance at the end of the period	<u>130,126</u>	<u>312,923</u>

PUBLIC RENTAL BOARD
NOTES TO FINANCIAL STATEMENTS *continued*
FOR THE 7 MONTHS PERIOD ENDED 31 JULY 2019

17. Related parties

(a) Identity of related parties

The Board of Directors in office at any time during the period were:

<i>Directors</i>		<i>Appointed</i>	<i>Served Until</i>
Mr. Umarji Musa	Board member	May-16	May-19
Mr. Roveen Permal	Board member	May-16	03-Jun-20
Mr. Nesbitt Hazelman	Board member	May-16	03-Jun-20
Mr. Craig Strong	Board member	May-19	03-Jun-20
Mr. Mohit Kumar Raj	Board member	May-19	25-Oct-21
Ms. Anabel Ali	Board member	May-19	25-Oct-21
Ms. Lorraine Seeto	Chairperson	03-Jun-20	25-Oct-21
Ms. Senikavika Jiuta	Board member	03-Jun-20	25-Oct-21
Mr. Viliame Vodonaivalu	Chairperson	26-Oct-21	25-Oct-24
Mr. Saud Minam	Board member	26-Oct-21	25-Oct-24
Ms. Florence Takinana	Board member	26-Oct-21	25-Oct-24
Ms. Renee Duguivalu	Board member	26-Oct-21	25-Oct-24
Ms. Susan Naidu	Board member	26-Oct-21	25-Oct-24
Mr. Anil Prasad	Board member	26-Oct-21	25-Oct-24

(b) Relocation of Headquarters

In line with the proposed merger with the Housing Authority of Fiji the Headquarters of the Board has moved to the Housing Authority building in Valelevu.

(c) Transactions with related parties

Transactions with related parties during the period ended 31st July 2019 with approximate transaction values are summarised as follows:

	7 months ended 31 July 2019	12 months ended 31 December 2018
	\$	\$
Board expenses and allowances	14,220	25,461
Amount owing to the Government for the Housing Authority bond	1,134,190	1,134,190
Government grant received to subsidise rental	1,300,000	578,871

(i) The Board received a total Government Grant for the Naqere, Savusavu Housing Project 2014 of \$3,872,171 in year 2014 and 2015. Initial capital invested was \$250 and total interest income equates to \$5,029. PRB completed the project at the end of 2017 at the cost of \$3,406,647 and opened officially 2018. PRB further utilised the funds for fencing and walkway in 2018.

(ii) The Board received a Government Grant for the Simla Housing Project 2016 of \$2,225,533 in 2018 (2017: \$1,299,109). Initial capital invested was \$250. PRB utilised a total of \$407,694 till July 2019 (\$110,868 in 2018). The Project is expected to complete by the end of 2020.

(d) Compensation of key management personnel

	7 months ended 31 July 2019	12 months ended 31 December 2018
	\$	\$
Short term employee benefits	104,911	189,700
18. Capital expenditure commitments	3,006,080	3,536,000

Capital expenditure commitments relates to approved grant for Simla Housing.

PUBLIC RENTAL BOARD
NOTES TO FINANCIAL STATEMENTS *continued*
FOR THE 7 MONTHS PERIOD ENDED 31 JULY 2019

19. Commitments and contingent liabilities	7 months ended 31 July 2019 \$	12 months ended 31 December 2018 \$
(a) Contingent liabilities	-	-

The Board is subject to certain claims made during the year. No provision has been recognised as the Directors do not consider it probable that a loss will arise.

At the end of the financial year, guarantee given by the Board's bank on behalf of the Board totaling \$69,363 remained. These guarantee facility were held for the construction project of Charles street flats. The project have been completed. These guarantee facility is yet to be discharged at financial year end.

(b) Operating lease commitments - PRB as lessee

Undiscounted future operating lease rental expense:		
Not later than one year	45,015	38,285
Later than one year but not later than five years	180,058	153,139
Later than 5 years	2,960,481	2,361,061
	3,185,554	2,552,485

The Board has various lease commitments for leasehold land. The remaining lease terms typically run for a period of between eleven and fifty-seven years. As the lease terms are long term, the Board has for the purposes of this disclosure indicated leases for one term only.

(c) Operating lease income - PRB as lessor

Undiscounted future operating lease rental income:		
Not later than one year	3,223,326	3,227,151
Later than one year but not later than five years	2,778,935	2,355,186
	6,002,261	5,582,337

\$

20. Lease liabilities

The carrying amounts of lease liabilities and the movements during the period are set out below:

As at 1 January	719,811
Accretion of interest	25,829
Payments	(26,258)
As at 31 July	719,382
Current	773
Non-current	718,609
	719,382

The maturity analysis of lease liabilities is disclosed in Note 18(c).

\$

21. Right-of-use assets

Land

Cost

Balance at 1 January	1,360,368
Balance at 31 July	1,360,368

Accumulated amortisation

Balance at 1 January	402,915
Amortisation for the period	7,174
Balance at 31 July	410,089

Written down value	950,279
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The Board has leases for native and crown land which have remaining lease terms from eleven to fifty-seven years with fixed lease payments subject to periodic assessments.

PUBLIC RENTAL BOARD
NOTES TO FINANCIAL STATEMENTS *continued*
FOR THE 7 MONTHS PERIOD ENDED 31 JULY 2019

22. Financial risk management objectives and policies

The principal financial liabilities comprise interest bearing borrowings and trade payables. The main purpose of the financial liabilities is to raise finance for the Board's operations. The Board has various financial assets such as trade receivables and cash, which arise directly from its operations.

The main risk arising from the Board's financial statements are interest rate risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Interest rate risk

The Board's exposure to the risk of changes in market interest rates relates primarily to the Board's interest bearing debt. The level of debt is disclosed in Note 14. The interest rate on income ranges from 2% to 7% and is reviewed where required by the Board.

Credit risk

It is the Board's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Board's exposure to trade debts is not significant. There are no significant concentrations of credit risk within the Board.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying Amount	
	7 months ended 31 July 2019	12 months ended : December 2018
	\$	\$
Cash and cash equivalents	2,743,362	2,516,8
Trade and other receivables	328,363	269,2
Financial assets	4,897,779	4,760,6
	7,969,504	7,546,7

22. Financial risk management objectives and policies *continued*

Credit risk *continued*

Expected credit loss

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Board's trade receivables using a provision matrix:

7 Months Period Ended 31 July 2019

	Trade receivables				Total
	Days past due				
	Current	31 – 60 days	61- 90 days	> 91 days	
Expected credit loss rate	10%	23%	31%	28%	
Estimated total gross carrying amount at default	47,596	19,634	18,966	43,607	129,803
Expected credit loss	4,590	4,443	5,916	12,063	27,002

31 December 2018

	Trade receivables				Total
	Days past due				
	Current	31 – 60 days	61- 90 days	> 91 days	
Expected credit loss rate	16%	58%	84%	55%	
Estimated total gross carrying amount at default	22,984	22,162	8,695	40,043	91,884
Expected credit loss	3,664	12,771	5,600	21,963	43,098

23. Principal activities

Subsequent to year end, the World Health organization (WHO) declared the Coronavirus (COVID 19) a "Public Health Emergency of International concern". Whilst measures and policies have been taken by the national government and nearby trading countries to prevent the spread of the virus, the impact of the virus on amounts and estimates reported or used in the preparation of 2019 financial statements is not expected to be material. However, the impact of the prolonged pandemic will be felt in subsequent years and the Board is expecting an increase in rent receivables and reduction in cash flow from the rent.

24. Subsequent events

- The proposed merger with the Housing Authority of Fiji was announced in Parliament on 19 February 2020. As at the date of this financial statements, the merger is yet to be formalised and timelines yet to be confirmed. However, the Headquarters of the Board has moved to the Housing Authority building in Valelevu.
- Subsequent to year end, the World Health organization (WHO) declared the Coronavirus (COVID 19) a "Public Health Emergency of International concern". Whilst measures and policies have been taken by the national government and nearby trading countries to prevent the spread of the virus, the impact of the virus on amounts and estimates reported or used in the preparation of 2019 financial statements is not expected to be material. However, the impact of the prolonged pandemic will be felt in subsequent years and the Board is expecting an increase in rent receivables and reduction in cash flow from the rent.

From April 2020, the Board approved a Rental Defferment exercise to assist tenants during the pandemic. The Defferement is expected to be lifted when the economy returns to normalcy.

- The Board, subsequent to balance date, carried out a revaluation exercise for its land and building. This exercise will bring into account value of buildings that have zero written down value but is still being used by the Board in fulfilling its activities as required by law.

PUBLIC RENTAL BOARD
NOTES TO FINANCIAL STATEMENTS *continued*
FOR THE 7 MONTHS PERIOD ENDED 31 JULY 2019

25. Correction of an error

As a result of the uncertainties inherent in business activities, many items in financial statements cannot be measured with precision but can only be estimated (IAS8).

The estimates have been corrected by restating each of the affected financial statement line items for the comparable period.

	Previously reported 2018	Adjustment from WIP Increase/ (decrease)	Adjustment from Accruals Increase/ (decrease)	Restated 2018
Statement of Changes in Equity	\$	\$	\$	\$
<u>Equity</u>				
a) Retained earnings	(4,135,598)	-	(73,402)	(4,209,000)
Statement of Financial Position	\$	\$	\$	\$
<u>Current Liability</u>				
Trade payables and accruals	(543,774)		73,402	(470,372)
	(543,774)	-	73,402	(470,372)

Accrued charges of \$73,402.44 was reversed as this were no longer payable.

b). Write Off Prior Year Work In progress

The Board of Directors approved to write off the prior year project expenses to current year, statement of profit or loss and other comprehensive income from Work in Progress (WIP) since the projects were ceased due to additional work and funding requirements. The projects ceased and expenses write off as as follows:

Kalabu Project 2006	\$ 179,019
Namaka Flats	\$ 88,897
Naodamu Community Hall	\$ 403
	<u>\$ 268,318</u>

26. Changes in financial year

The Board aligned its financial reporting period to that of the Government of Fiji and its relevant Ministries. The change in the financial year is from 1st January - 31st December to 1st August - 31st July. The results reflect performance for the 7 months ended 31 July 2019.

22. Financial risk management objectives and policies *continued*

Credit risk *continued*

Expected credit loss

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Board's trade receivables using a provision matrix:

7 Months Period Ended 31 July 2019

Expected credit loss rate
 Estimated total gross carrying amount at default
 Expected credit loss

	Trade receivables				Total
	Days past due				
	Current	31 – 60 days	61- 90 days	> 91 days	
	10%	23%	31%	28%	
	47,595	19,634	18,966	43,607	129,803
	4,580	4,443	5,916	12,063	27,002

31 December 2018

Expected credit loss rate
 Estimated total gross carrying amount at default
 Expected credit loss

	Trade receivables				Total
	Days past due				
	Current	31 – 60 days	61- 90 days	> 91 days	
	16%	58%	84%	55%	
	22,984	22,162	6,695	40,043	91,884
	3,664	12,771	5,600	21,963	43,998

23. Principal activities

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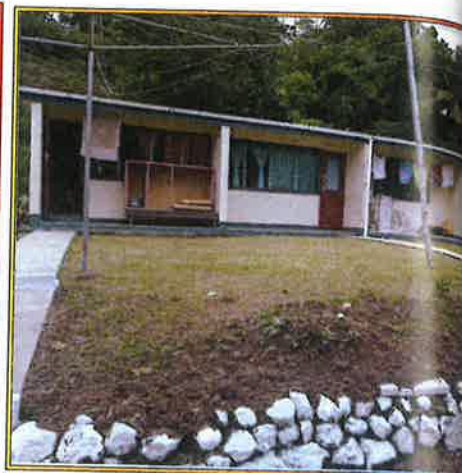
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c) The Board, subsequent to balance date, carried out a revaluation exercise for its land and building. This exercise will bring into account value of buildings that have zero written down value but is still being used by the Board in fulfilling its activities as required by law.

PRB Activities During the Year

2019 General Maintenance



Levuka Estate General Renovation



Tuatua General Maintenance

Kalabu Drainage – Special Project



PRB Management Team and Supervisors



Team Ready for Preparation of Planning document in their New Board Room



Diwali Celebration



PRB Team Bonding

JEE and Bonus Payout



Best Dress Parade on Christmas Party

Christmas Party



Fiji Day



Talk back Show with Radio Fiji two

